

Pennsylvania Ag Leaders Forum
THE FUTURE OF AGRICULTURE IN THE CHESAPEAKE BAY WATERSHED Developing
Pennsylvania's Phase 3 Watershed Implementation Plan (WIP)

Meeting Summary

When: May 1, 2018; 1:30 to 3:30 pm

Attendees:

John Bell, Agriculture Workgroup Co-Chair
Doug Goodlander, Agriculture Workgroup Co-Chair
Greg Hostetter, Agriculture Workgroup Co-Chair
Matt Royer, Agriculture Workgroup Co-Chair
Julie Masser Bailey, Sherman Masser, Inc.
Karl Brown, State Conservation Commission
Tom Clemens, Clemens Family Corporation
Kurtis Eby, Univest Bank
Laurel Etter, LandStudies
Katie Hetherington Cunfer, DEP
Jeff Hill, Lancaster County Conservation District
Sean McKinnery, First Citizens Bank
Kent Weaver, Univest Bank

Funding Workgroup Members:

Representative Garth Everett, Co-chair
Brion Johnson, Co-Chair, Pennvest
Marel King, Alternate Co-chair, Chesapeake Bay Commission
Robert Boos (Alternate for Brion Johnson)
Jen Cotting, Environmental Finance Center
John Dawes, Foundation for Pennsylvania Watersheds
Peter Hughes, Red Barn
Bill Joraskie, Senate Appropriations
Nicki Kasi, Coordinator, DEP, CBO
Matt Johnston, University of Maryland, EPA Chesapeake Bay Program Office
Joe Sweeney, Water Science Institute
Naomi Young, EDC Lancaster

Purpose:

- Provide an overview of Pennsylvania's process to develop the Phase 3 WIP and what attendees can expect from that process.
- Provide an overview of Pennsylvania's progress to date in achieving the goals for the Chesapeake Bay and the challenges ahead to finish the required reduction targets.
- Define what is meant by a sustainable agricultural community that has the ability to grow and expand while also addressing local water quality issues.
- Brainstorm ideas on how attendees could work together to accelerate the implementation of practices by the agricultural community that not only improve the long-term health and sustainability of the farming operation but local water quality.

Representative Everett (84th District) started the meeting and introduced Secretary Redding. He replied that the title reflects why the folks are invited to the meeting. This is a very intentional, very deliberate conversation about what we are doing and how we are going to finance the effort. Brion Johnson, Co-chair, added that we are here today to identify what is working and support that, find out what is not working and either fix it or bolster it and find out what we can do to make the plan work. This is a critical component of what we are doing. This is our first attempt to reach out to get real world input, learn more about current lending structures and how the Commonwealth can fit into those structures to do more. Another goal is to get input on how we can encourage folks to do more to put the right practices in place to fill in the gaps. Representative Everett asked the attendees to introduce themselves and share why they chose to attend the meeting. Most replied that they were interested in what the Phase 3 WIP process was about and how this effort would impact their customers.

The meeting began with a presentation by Nicki Kasi, Program Manager of DEP's Chesapeake Bay Program Office. She provided an overview of PA's Phase 3 WIP planning process and the importance of local engagement and local plan development. The group asked a few clarifying questions about the planning process, discussed what is currently working and not working with respect to funding and other resources and ultimately made several recommendations to be considered by the Funding Workgroup and perhaps the Ag Workgroup.

Below is a list of items captured during the meeting.

Challenges

- There is no "Rate Payer" to increase available funds
- Need to address the issue of balance, the credibility of the plan and its implementation versus the available resources to finance the effort. A conversation about the reallocation of existing resources and the identification of additional resources is needed. A dedicated funding source is needed, with no limit on fiscal year.
- Need to identify ways for better coordination across programs. For example, adding practice implementation to the requirements for financing programs such as Clean and Green should be evaluated. Imposing such standards has been discussed, but concerns were raised as to whether or not this would impact the success of the program.
- Standards would need to be established across the entire lending the community. Unless all lending institutions established the same requirements, these institutions would be reluctant to do so because of the loss of competitiveness.
- Need more support for the agriculture community to grow. All the available federal and state resources have been tapped. Now need to access the resources of those in the industry to set standards of the growers on their behalf. If the agricultural community is going to grow here, these growers need to meet a standard in order to continue to work for these integrators, to continue receiving these resources.
- 75% of no-till is genetically modified, most of the corn created on acreage is genetically modified. Some funding would need to go to the educate the consumers that this is still a good thing.
- Need to utilize existing funding more effectively, such as REAP. This program is bringing forward farmers that are in compliance. The main practices needed are manure storage and barnyard at a cost of \$200-\$210,000. REAP can cover half, match with other funding programs where the farmer will only need to borrow less than \$50,000. This makes low interest loans potentially possible.
- Need to do a better job of accounting for practices already installed.

- Further discussion is needed around the policy decisions related to which type of farms should be provided technical and financial assistance, and why. For example, are the farms successful because they are environmentally sound or for some other reason? Which ones should be targeted; the ones who are there and in compliance or the bad actors that need to step up the pace? How much more do we need to grow?
- There is a significant shortfall between available funding and the estimates of the amount of funding needed in order to meet these requirements. Existing solutions in Maryland and Virginia were easier to do because they can see the direct benefit from those taxes. There probably isn't one magic silver bullet.

What's Working

- The Natural Resource Conservation Service (NRCS) and County Conservation District resources have been tapped and used well.
- Technical Assistance is available and helpful when used. An effective combination of both funding and the technical capacity to implement is key.
- The capacity to provide technical assistance is there from the private sector. However, the private sector isn't going to hire personnel in anticipation of demand, waiting for that demand to happen. More compliance, enforcement and outreach is needed to make sure landowners understand what needs to be done. The carrot/stick approach with the dollars to cover the needed practices is needed. A good example of this is the Agricultural Plan Reimbursement Program.
- Having Conservation Plans and Nutrient Management Plans in place as a requirement to apply for loans.
- Bringing down monthly loan payments by matching tax credits to loans and grants.
- Based on analysis of practices installed to date, the most effective practices on a pound/dollar spent in each county is buffers.
- Farmers are always looking for new technology to save labor. Is there something we can do to create technology to help farmers do the right practices?
- Next generation lending program is a program that provides tax free status for first time landowners, farmers where bankers get the tax credit. Something like this will help banks finance practices as part of the next generation loans. Applicants do have to have a nutrient management plan, but not necessarily conservation plan. The loans are for purchasing farms.

Recommendations to Address Challenges

- Find ways to help farmers add buffers, to figure out how to get animals out of the stream and to better manage the farm in a holistic manner.
- Need more support for "basics" – increased funding, nutrient credits, etc.
- Need to improve outreach efforts.
- Capturing/Promoting the positive effects of modified efforts (GMO, etc.)
- Look for counties that have used funding well and learn from their success to:
 - Organize fund allocation wisely
 - Organize access to funds
 - Dedicate technical capacity to use wisely
 - Identify link between funding received and progress made on the achievement of nutrient reductions.

- Provide a higher assessment value for properties with additional practices, those in compliance
- Use incentives to transport excess manure to abandoned mine lands for restoration purposes. There is funding through the Abandoned Mine Lands fund to facilitate this.
- Consider re-allocating existing resources to those areas with the highest impact or to priority practices.
- Reach out to Coordinators / Co-ops
- Use the wastewater model for identification of a solution generating the support behind the financing that solution. Put the money generated into the agricultural community for new practices.
- Look for ways to apply risk management criteria to this effort. Show effective cost accounting and the link between a viable farm and clean water.
- Think about this in a longer time frame, for example, as a 50-year investment. Look at what is possible from the resource base over time. The fear is the crunch of economics. There has to be a margin of economics.
- Evaluate the availability of resources from the private sector, the use of marketing channels for the co-equal goals of: (1) clean water and (2) viable farms. Need first to have the second.
- Make a few priority practices the “cost of doing business” to participate in specific loan or grant programs. For example, the Chesapeake Bay Foundation and others had funding identified a number of shovel ready projects for federal funding. However, they stepped back and added the requirement that to receive this federal funding the landowner also had to put in the buffer. The landowners all still participated in the program.
- Provide tax credits / incentives to try new or invest in new practices.
- Find success stories and promote them.
- Get golf courses to install stream buffers. SB792 when passed will prevent the current practice of allowing these golf courses from mowing and fertilizing right to the stream edge.
- Consumer education to support changing practices
- Work to extend the timeline for implementation past 2025.

Recommendations for New Funding Sources

- ⚙ Fee for extracting PA water for bottled water
- ⚙ Find a “Rate Payer”
- ⚙ Sales tax on bottled water purchase
- ⚙ Property transfer fees (including an evaluation of compliance) to next generation farmers.
- ⚙ PENNVEST partner with banks
- ⚙ Sales tax (raise) on inorganic fertilizer